

# **Successor Agency to the El Cajon Redevelopment Agency**

**Basic Financial Statements and  
Independent Auditor's Report**

**For the year ended June 30, 2019**

**Successor Agency to the  
El Cajon Redevelopment Agency  
Basic Financial Statements  
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Successor Agency to the El Cajon Redevelopment Agency  
El Cajon, California

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### *Independent Auditor's Report*

We have audited the accompanying financial statements of the Successor Agency to the El Cajon Redevelopment Agency (the Successor Agency), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Successor Agency's basic financial statements as listed in the table of contents.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Successor Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Successor Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Successor Agency to the El Cajon Redevelopment Agency, as of June 30, 2019, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Prior year Comparative Information*

We have previously audited the Successor Agency's 2018 financial statements, and we expressed an unmodified opinion in our report dated December 13, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Required supplementary information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
December 16, 2019

**Successor Agency to the  
El Cajon Redevelopment Agency  
Statement of Fiduciary Net Position  
June 30, 2019  
(with comparative data for prior year)**

	2019	2018
<b>Assets:</b>		
Cash and investments	\$ 3,949,883	\$ 8,454,601
Restricted cash and investments with fiscal agent	2,155,079	2,959,488
Receivables:		
Interest	10,677	21,505
Loans	1,956,336	1,900,000
Prepaid bond insurance	233,756	246,250
Total assets	8,305,731	13,581,844
<b>Deferred outflows of resources:</b>		
Deferred amount on refunding	872,240	918,860
Deferred outflows of resources	872,240	918,860
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	15,983	3,884,155
Deposits payable	5,000	5,000
Interest payable	676,502	689,501
Current portion long-term debt	1,790,000	2,460,000
Long-term debt	53,263,713	55,214,172
Total liabilities	55,751,198	62,252,828
<b>Net position:</b>		
Held in trust for other purposes	(46,573,227)	(47,752,124)
Total net position	\$ (46,573,227)	\$ (47,752,124)

*The accompanying notes are an integral part of these financial statements.*

**Successor Agency to the  
El Cajon Redevelopment Agency  
Statement of Changes in Fiduciary Net Position  
For the year ended June 30, 2019  
(with comparative data for prior year)**

	2019	2018
<b>Additions:</b>		
Property taxes	\$ 4,468,177	\$ 5,234,640
Intergovernmental	56,638	42,414
Investment income	133,201	43,487
Interest on loan	56,336	-
Loss from assets held for resale	-	(1,053,599)
	4,714,352	4,266,942
<b>Deductions:</b>		
Administrative expenses	42,622	151,746
Program/project expenses	860,160	1,438,559
Payments to affected taxing entities	-	4,171,264
Interest and fiscal charges	2,632,673	3,681,685
	3,535,455	9,443,254
Change in net position	1,178,897	(5,176,312)
Net deficit, beginning of year	(47,752,124)	(42,575,812)
Net deficit, end of year	\$ (46,573,227)	\$ (47,752,124)

*The accompanying notes are an integral part of these financial statements.*

**Successor Agency of the  
El Cajon Redevelopment Agency  
Notes to the Basic Financial Statements  
June 30, 2019**

**Note A: Organization and Summary of Significant Accounting Policies**

The basic financial statements of the Successor Agency of the El Cajon Redevelopment Agency (the Successor Agency) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Successor Agency's accounting policies are described below.

**1. Reporting entity**

On January 10, 2012, the City of El Cajon elected to be the successor agency to the former El Cajon Redevelopment Agency (the Agency.) Upon the dissolution of California redevelopment agencies on February 1, 2012, the Successor Agency is tasked with the responsibility of winding down the dissolved redevelopment agency's affairs, continuing to meet the former agency's enforceable obligations, overseeing completion of redevelopment projects, and disposing of the assets and properties of the former redevelopment agency; all as directed and approved by the Oversight Board. Oversight Board members have a fiduciary responsibility to holders of enforceable obligations, as well as to the local agencies that would benefit from property tax distributions from the former redevelopment project area.

Pursuant to Health and Safety Code Section 34179 (j), on and after July 1, 2018 in each county where more than one oversight board was created, there shall be only one Countywide Oversight Board (Countywide OB). The Countywide OB shall be staffed by the County Auditor-Controller (CAC), by another county entity selected by the CAC, or by a city within the county that the CAC may select after consulting with the California Department of Finance (DOF). As of July 1, 2018, DOF will only recognize the newly-created Countywide OBs. The actions of the Successor Agency's ROPS or other OB required approved actions cannot be submitted without the Countywide OB's approval.

As of July 1, 2018, the Successor Agency to the El Cajon Redevelopment Agency will be under the oversight of the County of San Diego Countywide Redevelopment Successor Agency Oversight Board. The Countywide Oversight Board will oversee and approve certain actions of all the San Diego County area successor agencies, and will manage the assets of the former redevelopment agencies, the repayment of debts and the fulfillment of other redevelopment agency obligations.

City of El Cajon employees perform the necessary day-to-day activities of the Successor Agency to bring existing projects to completion, collect information and perform analysis regarding disposal of agency assets, and provide administrative support to the Oversight Board.

The Successor Agency's assets and activities are accounted for in a fiduciary fund (private-purpose trust fund), since the Successor Agency is not a component unit of the City of El Cajon's financial reporting entity.

**Successor Agency of the  
El Cajon Redevelopment Agency  
Notes to the Basic Financial Statements  
June 30, 2019**

**Note A: Organization and Summary of Significant Accounting (continued)**

**2. Basis of accounting and measurement focus**

The Successor Agency serves as the custodian of the assets for the dissolved redevelopment agency. Based on the nature of this custodial role, the assets and liabilities of the dissolved redevelopment agency are reported as fiduciary fund (private-purpose trust fund.) The private-purpose trust fund financial statements consist of a Statement of Fiduciary Net Position (“balance sheet”) and a Statement of Changes in Fiduciary Net Position (“income statement”).

Private-purpose trust funds are accounted for using the “economic resources” measurement focus and accrual basis of accounting. Accordingly, all of the Successor Agency’s assets and liabilities (both current and noncurrent) are included in the Statement of Fiduciary Net Position. The Statement of Changes in Fiduciary Net Position presents additions to (revenues) and deductions from (expenses) the total net position. Expenses are recorded in the period in which the liability is incurred while revenues are recognized in the period in which they are earned. Property tax revenues are recognized in the fiscal year for which they are levied.

**3. Property Tax**

The Successor Agency’s primary source of funding is property taxes allocated by the San Diego County-Auditor’s Office (CAC) from the Redevelopment Property Tax Trust Fund (RPTTF). The allocation of property taxes is related to the repayment of the former redevelopment agency’s enforceable obligations. The Successor Agency prepares a Recognized Obligations Payment Schedule (ROPS) estimating the RPTTF funds required to pay its obligations for each six-month period (January-June and July-December.) The ROPS is subject to review and approval of the Oversight Board, CAC, and State Department of Finance (DOF).

The Successor Agency receives allocation of property taxes for its approved ROPS items after payments of the County’s administrative costs and pass-through payments to affected taxing entities. In addition to the ROPS payments, the Successor Agency is allocated annually an administrative allowance equal to 3% of the approved RPTTF funding or the minimum amount of \$250,000, whichever is greater.

The County of San Diego (County) assesses, bills, and collects property taxes on behalf of numerous special districts and incorporated cities. The County distributes property taxes collected and deposited in the RPTTF to the successor agencies and the residual balances to other taxing entities in January and June of each year.

The Successor Agency has no power to levy and collect taxes, and any legislative property tax reduction might decrease the amount of tax revenues that would otherwise be available to pay the principal and interest on bonds and other obligations. Broadened property tax exemptions could have a similar effect. Conversely, any increase in the tax rate or assessed valuation, or any reduction or elimination of present exemptions, would increase the amount of tax revenues that would be available to pay enforceable obligations.



**Successor Agency of the  
El Cajon Redevelopment Agency  
Notes to the Basic Financial Statements  
June 30, 2019**

**Note A: Organization and Summary of Significant Accounting Policies (continued)**

**4. Annual budget**

Prior to the beginning of the fiscal year, the Oversight Board of the Successor Agency adopts an annual budget for the conduct of necessary activities, including administration, of the former redevelopment agency. Supplemental appropriations required during the period may also be approved by the Board.

**5. Cash and investments**

The cash and investments held by the Successor Agency are pooled in the City's cash and investments, except for cash held by the fiscal agents and funds invested in a Successor Agency Local Agency Investment Fund (LAIF) account, if applicable. The Successor Agency's share in this pool is displayed in the accompanying basic financial statements as *cash and investments*. Based on monthly average cash and investment balances, investment income earned by the pooled investments is allocated quarterly to the various City funds, City component units and for certain agencies, including the Successor Agency.

The Successor Agency, from time to time, participates in LAIF, an investment pool managed by the State of California. Investments are reported at fair value and changes in fair value that occur during a fiscal year are reported as *investment earnings* for that fiscal year. *Investment earnings* include interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

**6. Liabilities**

Liabilities reflect the Successor Agency's financial obligations as of June 30, including the repayment of tax allocation bonds issued by the former redevelopment agency. Bond issuance costs and premium are deferred and amortized over the life of the bonds using the straight-line method. The bonds are reported net of unamortized premium.

**7. Use of estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the related reported amounts of revenue and expenses during the reporting period. Actual results could differ from estimates. Management believes that the estimates are reasonable.

**Successor Agency of the  
El Cajon Redevelopment Agency  
Notes to the Basic Financial Statements  
June 30, 2019**

**Note B: Cash and Investments**

Cash and investments, as of June 30, 2019, are classified in the accompanying financial statements as follows:

Statement of Fiduciary Net Position:	
Cash and investments	\$ 3,949,883
Restricted cash and investments with fiscal agents	<u>2,155,079</u>
Total cash and investments	<u>\$ 6,104,962</u>

Cash and investments, as of June 30, 2019, consist of the following:

Equity in City's investment pool	\$ 3,949,883
Investments	<u>2,155,079</u>
Total cash and investments	<u>\$ 6,104,962</u>

***Equity in the cash and investment pool of the City of El Cajon***

The Successor Agency participates in the cash and investment pool managed by the City of El Cajon. The pool is governed by and under the regulatory oversight of the investment policy adopted by the City Council. The Successor Agency did not adopt an investment policy separate from that of the City of El Cajon. The cash and investment pool, other than debt proceeds held in restricted accounts, may be invested in any instrument authorized by the California Government Code Section 53601 and by the City's investment policy. The list of investment types authorized for the City is provided in the cash and investment notes to the basic financial statements of the City.

The Successor Agency's cash and investment pooled in the City's cash and investment is reported in the accompanying financial statements at fair value amounts based upon the Successor Agency's pro-rata share of the fair value calculated for the entire City portfolio.

**Successor Agency of the  
El Cajon Redevelopment Agency  
Notes to the Basic Financial Statements  
June 30, 2019**

**Note B: Cash and Investments (continued)**

***Investments authorized by debt agreements***

Investment of debt proceeds with fiscal agents is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The following table identifies the investment types that are authorized for investments with fiscal agents. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
General Obligations of States	None	None	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	360 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None
Pre-Refunded Municipal Obligations	None	None	None
Local Agency Investment Fund (LAIF)*	N/A	None	\$65,000,000

\*LAIF policy permits up to \$65,000,000 per entity.

***Investment in State investment pool***

The Successor Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the investment in this pool is stated at amounts based upon the Successor Agency's pro-rata share of fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio.) The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF has a maximum transaction limit of 15 per month with a minimum amount of \$5,000. Any withdrawal of \$10,000,000 requires 24 hour notice.

LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee comprised of California State officials and various participants provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The maximum investment in LAIF is \$65,000,000.

During the current fiscal year, the Successor Agency closed its account in the State Investment Pool.

**Successor Agency of the  
El Cajon Redevelopment Agency  
Notes to the Basic Financial Statements  
June 30, 2019**

**Note B: Cash and Investments (continued)**

***Risk Disclosures***

**Interest Rate Risk** – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in market interest rates. Exposure to interest rate risk is minimized by purchasing a combination of shorter term and longer term investments and by timing the cash flows from maturities so that a portion of the portfolio is maturing and or coming close to maturity evenly over time to provide the cash flow and liquidity needed for operations.

The Successor Agency’s exposure to interest rate risk as a result of its equity in the cash and investment pool of the City is provided by disclosures in the notes to the basic financial statements of the City that show the distribution of the City’s investments by maturity.

The sensitivity of the Successor Agency’s investments to market interest rate fluctuations is minimized with the following investments maturing at 12 months or less:

Investment type	Maturity at 12 months or less
Held by fiscal agent:	
Invesco Treasury	\$ 2,155,079

**Credit Risk** – This is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented in the following table is the minimum rating required by (where applicable) the California Government Code, the Successor Agency’s investment policy or debt agreements, and the actual rating as of June 30, 2019, for each investment type.

Investment type	Amount	Minimum legal rating	Rating at June 30, 2019 AAA
Held by fiscal agent:			
Invesco Treasury	\$ 2,155,079	AAA	\$ 2,155,079

**Successor Agency of the  
El Cajon Redevelopment Agency  
Notes to the Basic Financial Statements  
June 30, 2019**

**Note B: Cash and Investments (continued)**

***Risk Disclosures (continued)***

**Custodial Credit Risk** – The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or collateral securities that are held by an outside party. As of June 30, 2019, none of the Successor Agency’s deposits pooled with the City’s deposits was held in uncollateralized accounts. The Successor Agency does not have significant separate certificates of deposit or demand accounts held by the fiscal agent that are subject to custodial credit risk disclosure.

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Successor Agency does not have direct investments in securities subject to custodial credit disclosure. For the investments held by the fiscal agent, the fiscal agent selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

**Concentration of credit risk** – The investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The Agency did not have any investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represents 5% or more of total Agency investments.

**Fair value of measurement under GASB 72** – The Agency’s investments are classified as follows:

- The Invesco Treasury investments are valued using net asset value (NAV).

**Successor Agency of the  
El Cajon Redevelopment Agency  
Notes to the Basic Financial Statements  
June 30, 2019**

**Note C: Loans Receivable**

The Successor Agency is tasked with monitoring the loan agreements entered into by the former El Cajon Redevelopment Agency for financing construction and tenant improvements of businesses in the project area. As of June 30, 2019, the Successor Agency had the following loans receivables:

	<u>Balance at June 30, 2019</u>
<b><i>Inland Properties (US) Inc.</i></b>	
In April 2011, the former Agency authorized the sale of the 440 and 542 N. Johnson Avenue property (Site) to Inland Properties (US) Inc. (Developer) for \$2,500,000. The Developer made a down payment of \$600,000 and a promissory note was executed for the remaining \$1,900,000. The note was secured by a Deed of Trust. Repayment begins on July 2019 for a period of ten years, with interest accruing annually at a rate of 3.25% on the outstanding principal loan balance. The Agency shall forgive accrued interest first, then principal, in an amount equal to the taxes generated from the Site each year. As of June 30, 2019, the outstanding principal was \$1,900,000. As of July 2018, interest starting accruing on the loan. As of June 30, 2019, accrued, unpaid interest was \$56,336.	\$ 1,956,336
Total	<u><u>\$ 1,956,336</u></u>

**Note D: Long-Term Liabilities**

The Successor Agency is required to make scheduled payments and perform obligations with respect to the long-term liabilities of the former El Cajon Redevelopment Agency. The following is a schedule of changes in long-term liabilities for the fiscal year ended June 30, 2019:

Description	Beginning balance	Additions	Deletions	Ending balance	Amount due in more than One Year	Amount due within one year
2000 Tax allocation refunding bonds	\$ 15,650,000	\$ -	\$ (55,000)	\$ 15,595,000	\$ 15,540,000	\$ 55,000
2018 Tax allocation refunding bonds	<u>38,815,000</u>	<u>-</u>	<u>(2,405,000)</u>	<u>36,410,000</u>	<u>34,675,000</u>	<u>1,735,000</u>
Subtotal bonds	54,465,000	-	(2,460,000)	52,005,000	50,215,000	1,790,000
Add unamortized premium	<u>3,209,172</u>	<u>-</u>	<u>(160,459)</u>	<u>3,048,713</u>	<u>3,048,713</u>	<u>-</u>
Total long-term debt	<u><u>\$ 57,674,172</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (2,620,459)</u></u>	<u><u>\$ 55,053,713</u></u>	<u><u>\$ 53,263,713</u></u>	<u><u>\$ 1,790,000</u></u>

**Successor Agency of the  
El Cajon Redevelopment Agency  
Notes to the Basic Financial Statements  
June 30, 2019**

**Note D: Long-Term Liabilities (continued)**

***2000 Tax allocation refunding bonds***

On August 15, 2000, the former Agency issued \$16,000,000 Taxable Tax Allocation Refunding Bonds, Issue of 2000, and (the Bonds) to refund the bank notes payable. The Bonds were issued on a parity basis with the Agency's Tax Allocation Refunding Bonds, Issue of 1997. The Bonds are term bonds maturing on October 1, 2020, and October 1, 2030, and are subject to mandatory redemption from minimum sinking account payments, in part by lot, by October 1, 2006, and October 1, 2021, respectively, and on each October 1 thereafter at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. The Bonds are subject to optional redemption prior to maturity, in whole or in part, on any date. Interest is payable semi-annually on April 1 and October 1 at interest rates ranging from 7.6% to 7.7%. The Agency pledged 100% of property tax from the RPTTF as security for the bonds until final maturity.

The debt service requirements for the 2000 Bonds at June 30, 2019 were as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 55,000	\$ 1,198,605	\$ 1,253,605
2021	65,000	1,194,045	1,259,045
2022	70,000	1,188,880	1,258,880
2023	85,000	1,182,913	1,267,913
2024	1,455,000	1,123,623	2,578,623
2025-2029	9,150,000	3,680,600	12,830,600
2030-2034	<u>4,715,000</u>	<u>369,793</u>	<u>5,084,793</u>
Totals	<u>\$ 15,595,000</u>	<u>\$ 9,938,459</u>	<u>\$ 25,533,459</u>

Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an event of default as described above, the bond insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the bond owners or the trustee for the benefit of the bond owners under the Indenture, including, without limitation, acceleration of the maturity of the bonds as described in the Indenture and the right to annul any declaration of acceleration, and the bond Insurer shall also be entitled to approve all waivers of events of default.

**Successor Agency of the  
El Cajon Redevelopment Agency  
Notes to the Basic Financial Statements  
June 30, 2019**

**Note D: Long-Term Liabilities (continued)**

***2018 Tax allocation refunding bonds***

On March 16, 2018, the Successor Agency issued Series 2018 Tax Allocation Refunding Bonds in the amount of \$38,815,000 to refund the outstanding Tax Allocation Refunding Bonds, Issue of 2005 and Tax Allocation Bonds, Issue of 2007, of which \$40,330,000 were the combined outstanding amounts. The Bonds are issued in parity with the Agency's Taxable Tax Allocation Refunding Bonds, Issue of 2000. The Bonds are term bonds maturing on or after October 1, 2029, and are subject to mandatory redemption from minimum sinking account payments, in part by lot, on or after October 1, 2028, and on each October 1 thereafter at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. Interest is payable semi-annually on April 1 and October 1 at interest rates ranging from 2% to 5%. The Agency pledged 100% of property revenues from the RPTTF as security for the bonds until final maturity.

The Series 2018 Tax Allocation Refunding Bonds were issued in the amount of \$38,815,000. The proceeds from the bonds were used to refund the Tax Allocation Refunding Bonds, Issue of 2005 and the Tax Allocation Bonds, Issue of 2007. The anticipated cash flow savings on the refunding was approximately \$4,128,467 over the remaining life of the bond. The present value of the savings to February 28, 2018 at 3.155986% was \$3,061,692. The deferred amount resulting from the refunding was \$932,399 to be amortized over the life of the bonds.

The bonds are presented net of unamortized premium of \$3,048,713. The bond also had \$872,240 of deferred amount on refunding and \$233,756 of deferred insurance charges, which were recorded on the statement of fiduciary net position and amortized over the life of the bond on a straight-line basis.

The debt service requirements for the 2018 Bonds at June 30, 2019 were as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,735,000	\$ 1,485,481	\$ 3,220,481
2021	1,795,000	1,414,881	3,209,881
2022	1,870,000	1,341,581	3,211,581
2023	1,935,000	1,265,481	3,200,481
2024	470,000	1,222,081	1,692,081
2025-2029	2,495,000	5,902,047	8,397,047
2030-2034	12,195,000	4,958,031	17,153,031
2035-2039	<u>13,915,000</u>	<u>1,120,369</u>	<u>15,035,369</u>
Totals	36,410,000	18,709,952	55,119,952
Add: unamortized premium	<u>3,048,713</u>	-	<u>3,048,713</u>
Totals	<u>\$ 39,458,713</u>	<u>\$ 18,709,952</u>	<u>\$ 58,168,665</u>



**Successor Agency of the  
El Cajon Redevelopment Agency  
Notes to the Basic Financial Statements  
June 30, 2019**

**Note D: Long-Term Liabilities (continued)**

***2018 Tax allocation refunding bonds (continued)***

If the Agency shall fail to pay any policy costs in accordance with the requirements of the indenture, the municipal bond insurer will be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Indenture other than (i) acceleration of the maturity of the bonds, or (ii) remedies which would adversely affect owners of the Bonds.

The annual requirements to amortize all bonds outstanding at June 30, 2019, including interest payments to maturity, are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,790,000	\$ 2,684,086	\$ 4,474,086
2021	1,860,000	2,608,926	4,468,926
2022	1,940,000	2,530,461	4,470,461
2023	2,020,000	2,448,394	4,468,394
2024	1,925,000	2,345,704	4,270,704
2025-2029	11,645,000	9,582,647	21,227,647
2030-2034	16,910,000	5,327,824	22,237,824
2035-2039	13,915,000	1,120,369	15,035,369
Totals	52,005,000	28,648,411	80,653,411
Add: unamortized premium	<u>3,048,713</u>	<u>-</u>	<u>3,048,713</u>
Totals	<u>\$ 55,053,713</u>	<u>\$ 28,648,411</u>	<u>\$ 83,702,124</u>

**Note E: Commitments and Contingencies**

Some enforceable obligations of the Successor Agency represent agreements, contracts or other commitments for the expenditure of monies. They do not constitute as expense or liability for financial statement purposes because these commitments will be honored in subsequent years.

**Successor Agency of the  
El Cajon Redevelopment Agency  
Notes to the Basic Financial Statements  
June 30, 2019**

**Note F: Tax Abatement**

Prior to its dissolution in 2012, the former El Cajon Redevelopment Agency entered into participation agreements with local businesses for economic development purposes including business relocation, retention, and expansion. The former redevelopment agency entered into the agreements under the authority of the Community Redevelopment Law (Health and Safety Code Sections 3300, et seq.) The abatements were granted to any businesses located within or promising to relocate to the Agency's redevelopment geographic area. Under the agreements, the former agency provided financing to businesses located within or planning to relocate to the redevelopment project area. The agreements were negotiated on an individual basis.

The participation agreements provided abatement to the businesses in the form of a credit towards the repayment of the loans for a period of up to ten (10) years. The amount of abatement each year is based on the amount of taxes generated from the site, as specified in the agreement. Note C- Loans Receivables provides detailed information about the businesses, agreements and abatement amounts.



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To the Oversight Board  
Successor Agency to the El Cajon Redevelopment Agency

We have audited the financial statements of the Successor Agency to the El Cajon Redevelopment Agency (Agency) for the year ended June 30, 2019. Professional standards require that we advise you of the following matters related to our audit.

#### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated May 24, 2019, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Agency solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

#### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

#### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year to June 30, 2019. We noted no transactions entered into by the Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from managements current judgments. The most sensitive estimates affecting the Agency's financial statements were:

Prepaid bond insurance and its amortization are based on the allocation of the asset over the life of the bond issue to the proper reporting period in accordance with full accrual accounting.

The deferred amount on refunding and its amortization are based on the allocation of the asset over the life of the bond issue to the proper reporting period in accordance with full accrual accounting.

Accrued interest payable and interest expense are based on the allocation of actual debt service payments to the proper reporting period in accordance with full accrual accounting.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgement and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the dissolution of the former Redevelopment Agency of the City of El Cajon in Note A to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

### **Difficulties encountered in performing the audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Uncorrected and corrected misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements.

### **Disagreements with management**

For purposes of this letter, professional standards define a disagreement with management is a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Agency's financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management representations**

We have requested certain representations from management that are included in the management representation letter dated December 16, 2019.

### **Management consultations with other independent accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, to our knowledge, there were no such consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the Agency, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Agency's auditors.

This report is intended solely for the information and use of Oversight Board and management of the Agency and is not intended to be and should not be, used by anyone other than these specified parties.

*Rogers, Anderson, Malody & Scott, LLP.*

December 16, 2019



## Finance

December 16, 2019

Rogers, Anderson, Malody & Scott, LLP  
735 E. Carnegie Drive, Suite 100  
San Bernardino, CA 92408

This representation letter is provided in connection with your audit of the basic financial statements of the Successor Agency to the El Cajon Redevelopment Agency (the Agency) as of June 30, 2019 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the basic financial statements present fairly, in all material respects, the financial position and the results of operations of the Agency accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of December 16, 2019:

### *Financial Statements*

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated May 24, 2019, for the preparation and fair presentation of the financial statements of the Agency referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have prepared, reviewed, approved, and taken responsibility for the financial statements and related notes and any changes proposed by you.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP

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- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All additions and deletions within the statement of changes in fiduciary net position have been properly classified.
- Deposit and investment risks have been properly and fully disclosed.
- With regard to investments and other instruments reported at fair value:
  - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
  - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

**Information Provided**

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- The Agency has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- If applicable, we have disclosed to you all guarantees, whether written or oral, under which the Agency is contingently liable.



- All electronic copies of documents provided to you were copies of the true, unaltered originals.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
  - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
  - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- The Agency has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of various agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- There have been no communications with government agencies regarding the qualification or dismissal of expenses incurred for administrative costs by the Agency or any other payments for obligations of the Agency.
- We have appropriately recorded the Agency's Redevelopment Property Tax Trust Fund allocations and used such funds in accordance with the Health and Safety Code (Code) and the Agency's recognized obligation payments schedule for the year under audit, including appropriately using the funds for administrative costs as allowed by the Code.
- We have disclosed to you all disputes and resolutions, if applicable, with the California Department of Finance and the California State Controller's Office regarding the Agency's recognized obligation payments schedules, the long-range property management plan and/or any disputes related to disallowed administrative costs or spent monies.

Signature



Title/Name: Executive Director – Graham Mitchell

Signature:



Title/Name: Director of Finance – Clay Schoen